

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2352 - HB 2920

March 9, 2012

SUMMARY OF BILL: Prohibits the enactment of any ordinance or resolution by a county or municipal legislative body to increase the property tax rate by more than 25 percent until approved by the voters in the county or municipality by referendum. The referendum may be held in conjunction with a general election, but in the absence of a general election, a special election must be held. Municipalities are required to pay all costs associated with holding a special election.

ESTIMATED FISCAL IMPACT:

Forgone Local Revenue – Exceeds \$100,000

Other Fiscal Impact – For each local government entity electing to increase property tax rates by more than 25 percent, the one-time increase in local expenditures associated with holding a special election is reasonably estimated to exceed \$10,000.

Assumptions:

- If the required referendum is held in conjunction with a general election, any increase in local government expenditures would be not significant.
- Any local government holding a special election would incur one-time expenditures; however, the cost will vary based on the population of the local government holding the special election.
- According to the State Division of Elections and the County Technical Assistance Service (CTAS), a special election costs a small county between \$10,000 and \$30,000; a medium-sized county between \$35,000 and \$55,000; for the four largest counties: Davidson: \$557,000; Hamilton: \$207,000; Knox: \$298,000; Shelby: \$665,000.
- According to the State Division of Elections, a special election costs a municipality between \$8,800 (the city of Luttrell with a population of 1,080) and \$715,000 (the city of Memphis with a population of 646,900).
- Based on information provided by the Comptroller, three counties and six municipalities increased their property tax rate by more than 25 percent in 2010: Decatur, Fentress, and Gibson counties; Normandy, Hollow Rock, Huntland, Church Hill, Mount Carmel, and Dayton.

- Based on population size and estimates provided by the State Division of Elections and CTAS, if these local governments had been required to hold referendums, the total one-time increase in local expenditures is estimated to be \$87,000.
- The number of local governments electing to increase property tax rates by more than 25 percent is unknown; however, when a local government entity so elects, the one-time increase in expenditures to hold a special election is reasonably estimated to exceed \$10,000.
- If these nine local governments had been required to hold a referendum before raising the property tax rate by more than 25 percent, the result of the referendum would likely have prevented the property tax rate from being increased.
- Based on information provided by the Comptroller of the Treasury, if the nine local governments (identified above) were prevented from increasing their respective property tax rates by more than 25 percent, the result would have been total forgone local revenue of \$1,796,059 (\$1,311,204 by counties + \$484,855 by municipalities).
- It is assumed the enactment of this legislation would discourage local governments from increasing property tax rates by more than 25 percent; thus creating forgone local revenue. The number of local government entities that will increase their property tax rates in the future by less than 25 percent as a direct result of this bill, that would have increased rates by more than 25 percent in lieu of this bill is unknown. As a result, determining a precise amount of forgone local revenue is difficult; however, such forgone amount is reasonably estimated to exceed \$100,000 per year statewide.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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